

Message Text

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PAGE 01 OECD P 20562 131954Z

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ACTION EUR-12

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SUBJECT: DOCUMENTATION FOR EPC WP3 MEETING JULY 19 - 20

REF: CPE/WP3(76)12

1. SECRETARIAT HAS ADDED FOLLOWING NEW DOCUMENT (REF A)
TO AGENDA FOR SUBJECT MEETING: "NOTE ON THE OUTLOOK FOR
AGRICULTURAL AND FOOD PRICES". MISSION QUOTES BELOW THE
INTRODUCTION AND SUMMARY OF EIGHT PAGE REFDOK WHICH WILL
BE HANDED TO U.S. WP3 DELEGATION MEMBERS ON ARRIVAL.

2. BEGIN QUOTE

RECENT MOVEMENTS IN SOME AGRICULTURAL COMMODITY
PRICES AND THE DROUGHT IN EUROPE HAVE LED TO SOME CONCERN
ABOUT THE OUTLOOK FOR FOOD PRICES. IT IS SUGGESTED IN
CPE/WP3(76)9 THAT IN THE COURSE OF ITS TOUR D'HORIZON THE
WORKING PARTY MAY WISH TO PAY SOME ATTENTION TO THIS
QUESTION. TO ASSIT IT THE ATTACHED NOTE PREPARED BY THE
AGRICULTURAL DIRECTORATE OF THE OECD IS BEING CIRCULATED
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FOR INFORMATION. THE GENERAL CONCLUSIONS REACHED ARE

RELATIVELY REASSURING - ALTHOUGH IT IS STILL TOO EARLY
TO FORECAST THIS YEARS' HAVESTS IN THE NORTHERN
HEMISPHERE WITH ANY CERTAINTY.

SUMMARY

1. RECENT INCREASES IN AGRICULTURAL PRICES REFLECT A
MIXTURE OF CYCLICAL AND SEASONAL MOVEMENTS AND THE
INFLUENCE OF WEATHER ON MARKETS. SOME OF THE PRICES,
SUCH AS BEVERAGES AND WOOL/COTTON, ARE JUSTIFIED BY THE
UNDERLYING SUPPLY/DEMAND SITUATION. OTHERS SUCH AS
CEREALS ARE BASED SUBSTANTIALLY ON HEDGING/SPECULATION
AGAINST 1976 CROPS - WEATHER IN THE NEXT 2-3 MONTHS WILL
THEREFORE BE CRITICAL.

2. SOME ATTEMPT IS MADE BELOW TO ASSESS THE IMPACT OF THE
RECENT AND POTENTIAL INCREASES IN WORLD PRICES ON OECD
CONSUMER PRICES. CLEARLY THE FULL EFFECTS OF THE
RECENT INCREASES HAVE NOT YET BEEN FELT; THE FINAL
IMPACT OF THE WORLD PRICE INCREASES ON NATIONAL CONSUMER
PRICES SHOULD HOWEVER NOT BE EXAGGERATED, PARTICULARLY
IN EUROPE.

3. AT THIS STAGE, THE SUPPLY/DEMAND SITUATION FOR A
NUMBER OF AGRICULTURAL COMMODITIES WOULD APPEAR TO BE
FUNDAMENTALLY DIFFERENT FROM THE 193/74 BOOM - THE
CONTRASTS ARE OUTLINED BELOW FOR KEY COMMODITIES. THE
SHORT AND MEDIUM-TERM REGIONAL AND GLOBAL IMPACT OF THE
EUROPEAN DROUGHT SHOULD ALSO NOT BE EXAGGERATED ALTHOUGH
PROLONGATION AGGRAVATES THE SITUATION.

END QUOTE
KATZ

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